

***The City of Lynchburg
Review of Payroll***

***Waste Management
September 17, 2004***



Prepared by the Office of Internal Audit

City of Lynchburg
Internal Audit Department
Review of Payroll – Waste Management
September 17, 2004

Data for employee master files is entered to the New World Systems Payroll Module by staff in Human Resources. Payroll clerks enter employee hours worked and leave taken. Payroll is processed in the Financial Services Department.

The Office of Internal Audit conducts periodic audits of Payroll processing for the individual departments across the City. These reviews include tests of controls over payroll processing and documentation.

This audit was performed as a regularly scheduled audit with the approval of the Audit Committee.

Review Objectives

The purpose of the review was to determine that:

- Payroll calculations are accurate and supported by adequate documentation;
- Personnel files in Human Resources support the departmental payroll calculation and include all legally required documents;
- Checks processed through payroll are for legitimate employees of the City;
- Access to the payroll system is adequately restricted to necessary personnel; and
- Procedures are in compliance with legal requirements, IRS regulations, and City policy and procedures as related to payroll

Scope of Work

We interviewed personnel in Waste Management and reviewed system documentation to establish an understanding of payroll procedures. Payroll reports were tested for twenty-five employees in Waste Management and personnel files in Human Resources were reviewed to ensure that payroll deductions were authorized by employees and that files included all legally required documents. The period of review was 6/30/04 through 7/27/04.

The audit was conducted in accordance with professional internal auditing and generally accepted governmental auditing standards specified in the City's Internal Audit

Charter and, accordingly, included such tests of records and other audit procedures as were considered necessary in the circumstances.

The Internal Audit Department is free from organizational impairments to independence in our reporting as defined by government auditing standards. We report directly to an audit committee and, administratively to the city manager and are organizationally outside the staff or line management function of the areas we audit.

Opinion On Internal Controls

The objectives of a system of internal control are to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management authorization and are properly recorded.

Based on our review, we concluded that the system of internal controls provides reasonable assurance that assets are safeguarded and transactions were made in accordance with City policy.

Audit Conclusions

Based on the results of our review, we conclude that...

- The payroll calculations were accurate and supported by adequate documentation.
- The personnel files in Human Resources supported the departmental payroll calculation and included legal documents required for payroll;
- The checks processed through payroll were for legitimate employees of the City;
- Access to the payroll system is adequately restricted to necessary personnel; and
- Procedures were in compliance with legal requirements, IRS regulations, and City policy and procedures as related to payroll.

Carol J. Bibb, Internal Audit Director

Michelle B. Kuhn, Audit Assistant